



Inland Revenue
Te Tari Taake

IR9G
May 2020

Clubs or societies return guide 2020

Read this guide to help you fill in your IR9 return.

Complete and send us your IR9 return by 7 July 2020, unless you have an extension of time to file - see page 4.



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Important changes

New residential property deduction rules (also known as the ring-fencing rules) apply to most residential rental properties for the 2019-20 income year, which ends on 31 March 2020 for most people. The changes include:

- limits to the amount of deductions you can claim if your residential rental property makes a loss
- inability to offset residential excess deductions/rental loss against other income. They are now generally carried forward and offset against future residential property income
- what happens to excess deductions when disposing of residential property
- limits on the amount of interest you can claim for an investment in an entity that rents out residential property.

The information in this guide is based on current tax laws at the time of printing.

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Introduction

The questions in this guide follow the same numbering as in your return.

If you need more help after you've read this guide, these guides provide detailed information:

- **Charitable organisations - IR255**
- **Education centres - IR253**
- **Provisional tax - IR289.**

Who has to file a return?

All New Zealand clubs and societies must file a tax return each year unless they derive only exempt income.

If your organisation has a certificate of exemption from RWT (resident withholding tax) on interest and dividends this doesn't mean your income is exempt income. Call us on 0800 377 774 if you're not sure whether your club or society is required to file a tax return.

If we've sent you a taxpack but your organisation is tax exempt, call us on 0800 377 774 so we can update our records.

If your club or society's income is not exempt but the organisation did not have income that was liable for income tax during the tax year from 1 April 2019 to 31 March 2020, please just fill in:

- page 1 of the return, and
- the declaration on page 4.

All other organisations must complete all parts of the return.

Return due date

If the club or society has a 31 March balance date, you have until 7 July 2020 to send in the return (unless you have been granted an extension of time). If you have a balance date other than 31 March the return date may be different. Call us on 0800 377 774 if you're not sure.

If the club or society is the client of an agent, you may have until 31 March 2021 to file. Contact your agent for more information.

Questions

Question 2 Club or society's name

If the club or society has changed its name since the last time a return was filed, please provide proof of the name change details so we can update our records.

Question 3 Postal address

If you have a new postal address, write the details at Question 3. If your new postal address is a PO Box number, please show your box lobby, if you have one. If you're unsure of your box lobby please contact New Zealand Post.

Leave this address panel blank if the club or society uses its agent's postal address. The agent will let us know of any change of address when updating their client list.

Question 6 Bank account number

Bank account number

The fastest and safest way to get any refund is to have it direct credited to your club or society's New Zealand bank account or other deposit account eg, a building society account. If your club or society's bank account number isn't preprinted on the return form, please include it at Question 6.

If your suffix has only two numbers, enter them in the first two squares of the suffix box.

Question 8 Incorporation

An organisation can be incorporated under New Zealand legislation, such as the Incorporated Societies Act 1908, Companies Act 1993 or the Charitable Trusts Act 1957, or it may be incorporated under foreign legislation.

Make sure you complete this box as different tax rates apply for incorporated societies. See page 21 of this guide.

Question 9 Has the club or society ceased?

If the club or society has ceased, include a set of accounts (if accounts are required) to the date the organisation ceased.

If the organisation is registered for GST, or as an employer, you will need to complete a **Business cessation - IR315** form to finalise your records.

Question 10 Income and expenditure from residential property

This question applies to owners of residential rental property, including overseas property subject to the residential property deduction rules in subpart EL of the Income Tax Act 2007.

Most residential rental properties are subject to the residential property deduction rules (also known as the ring-fencing rules). When they apply, your residential rental deductions generally cannot be more than your residential property income.

If your deductions are more than your income, the difference must be carried forward to the next year you earn residential income, including properties held on revenue account.

There are two levels of exclusions from the rules.

Any rental income or loss and net income or loss from a taxable disposal is fully excluded from the new rules if the property is:

- the main home;
- property subject to the mixed-use asset rules (holiday home rented out part-time);
- certain employee accommodation.

For these types of property, the existing rules apply with the rental income or loss shown at the applicable box 12, 13C or 14C and net income or net loss from a taxable disposal shown in box 11.

Any rental net loss and net loss from a taxable disposal is partially excluded from the new rules if it is for:

- property that will always be taxed on sale, being revenue account property of a person in the business of building, developing or dealing in land;
- other revenue account property the person has notified us they want the exclusion to apply to.

For these types of property, net rental income and net income from a taxable disposal plus any depreciation recovered is shown as residential income box 10A.

A taxable disposal net loss is shown at box 11.

Any rental net loss is shown at the applicable box 12, 13C or 14C.

Refer to the **Rental income - IR264** guide for information on when the rules apply, how to calculate your income, the amount of deductions you can claim for this year, and the amount of any excess deductions that must be carried forward.

The residential property deduction rules also apply to any club or society that has borrowed money to acquire an interest in certain entities with significant rental property holdings - a residential land-rich entity - and has interest expenditure on the borrowed money.

Residential land-rich entity - a close company, partnership or look-through company that holds more than 50% of its assets by value in residential land directly or indirectly. They come under the interposed entities rules as part of the residential property deduction rules.

For more information about the interposed entity rules, see page 60 of the **Tax Information Bulletin Vol 31 No.8 September 2019**.

Completing Question 10 in your return

Tick the method you have used to calculate your residential property income and deductions.

You can use one of the following methods:

- **Portfolio** basis - combine the income and deductions for all rental properties in the portfolio.
- **Individual**, property-by-property basis - income and deductions of individual property is calculated separately to other property. You need to maintain separate records for each property to choose this option.
- **Combination** - of the property-by-property basis and portfolio basis - choose to apply different methods to different property. Some properties are held in a portfolio and others are held on property-by-property basis.

Calculate and identify the amounts for Boxes 10A to 10F using your chosen method.

Calculate your rental income and deductions as usual, as shown at boxes 4 and 14 on the **Rental income - IR3R** form. You can then enter these figures in the **Residential property deductions worksheets - IR1226** to help calculate the figures required to be entered in your return. You can print a copy off our website ird.govt.nz

Write the total residential income in Box 10A. This is the total of the following amounts:

- (a) all rental income from the portfolio and/or individual property;
- (b) all depreciation recovery income from the portfolio or individual property;
- (c) net income from the taxable disposal of a property in your portfolio (or individual property); and
- (d) all net rental income, depreciation recovery income and net income from the taxable disposal of the property from residential property excluded because it is held on revenue account.

Only include the net income from a disposal once.

Write the total eligible deductions for residential rental properties in the Residential rental deductions in Box 10B. Do not include purchase costs, capital improvements or costs incurred when disposing of the property here. These are included when calculating the net income for taxable disposals.

This is the total before adjusting for excess deductions.

Write the total excess deductions brought forward from last year in Box 10C. This box cannot be completed for the tax year ending 31 March 2020.

Calculate the amount of allowable deductions you can claim this year adjusting for excess deductions. Write the total Residential rental deductions claimed this year in Box 10D. This should equal Box 10B plus Box 10C less the amount of excess deductions for each property and/or property portfolio shown in Box 10F.

The amount cannot exceed total residential income at Box 10A, unless there was a taxable sale/disposal of a rental property.

Combine the net income results (after adjusting for any excess deductions) for all properties and write the total in Box 10E. Your total Net residential income in Box 10E cannot be a loss, unless the rental property or all the properties in the portfolio have been disposed of as taxable sales.

Any losses are counted as zero unless the loss is the result of either:

- excess deductions released as the result of the taxable disposal of the rental property or all properties in a portfolio or
- claimable interest paid on your investment in a residential land-rich entity. Refer to the **Rental income - IR264** guide.

Write the amount of all excess deductions for the year to be carried forward to next year in Box 10F.

This is calculated as Residential rental deductions Box 10B minus Residential rental deductions claimed this year Box 10D.

NOTES

Note 1

If you sell/dispose of an individual property and the sale is not taxable; or you sell/dispose of the last property in a portfolio and at least one of the sales in the portfolio was not taxable, any remaining excess deductions must be transferred to another property or portfolio and/or be carried forward to the next year you earn income from residential property including property held on revenue account.

Note 2

If you sell/dispose of an individual property and the sale is taxable; or you sell/dispose of the last rental property in a portfolio, and the sale of all your rental properties in a portfolio were taxable, any remaining loss/excess deductions are released and can be offset against other income. However, this does not include any excess deductions transferred to the portfolio/property.

Note 3

If you want to claim that a property is held on revenue account (other than land that is acquired for purposes of business relating to land) where the sale may be taxable, you need to notify us of the details of the property by the return filing date. You will be stating the sale will be a taxable sale when the property is disposed of. You must be able to separately identify the deductions relating to the property.

For more information read the **Rental income - IR264** guide.

Question 11 income from taxable sale/ disposals of property

Include all income from land sales that are that are excluded from the residential property deduction rules (covered by question 10). Also include taxable sales of the main home or holiday homes taxed under the mixed-use asset rules. Tax losses from disposals of residential property are also included under this question.

The profits are taxable if you bought a property for the purpose of reselling it or are in the business of buying and selling land and/or buildings.

The profits may also be taxable if you:

- are a builder and improved a property before selling it,
- developed or subdivided land and sold sections, or
- had a change of zoning on your property and sold it within ten years of buying it.

The bright-line test needs to be considered when none of the other land sale rules apply to the disposal of the property.

If you purchased a residential property on or after 1 October 2015 and sold/disposed of it within a certain period, any profit will be taxable, even if you didn't intend to sell when you purchased it.

This is called the bright-line test. The bright-line test applies to:

- properties purchased/acquired on or after 1 October 2015 through to 28 March 2018 inclusive and sold/disposed of within two years, and
- properties purchased/acquired on or after 29 March 2018 and sold within five years.

Net income from sales/disposals of most residential property is included in residential income in question 10 Box 10A.

Show the total profit from other property in Box 11.

If the property was taxable under the bright-line test and made a loss, any excess deductions can't be claimed unless they can be offset against net income from other residential property sales.

For more information on property sales, refer to our guide **Buying and selling residential property - IR313**.

Complete a **Property sale information - IR833** form for each property sold/disposed of and include it with your return. The form explains how to calculate and correctly return the resulting profit or loss. You can download the form at ird.govt.nz/forms-guides. Complete the form even if the details have been included in a **Financial statements summary - IR10** or set of accounts.

Question 12 Friendly societies

An organisation is a friendly society if it's registered under the Friendly Societies and Credit Unions Act 1982.

The net income to be shown in Box 12 is income from business transactions with people who are not members of the society, less all allowable expenses related to deriving the taxable income from non-members.

Any interest from investments that a friendly society earns is exempt income, if it's not part of the income from a business the society runs.

Where taxable activities cover both members and non-members, the income and expenses must be apportioned to calculate the taxable portion.

Write the net profit from the business carried on with non-members in Box 12. If the figure is a loss, put a minus sign in the last box.

Question 13 Exempt income

The income of some types of club or society is exempt unless the funds can be used for the private benefit of any of the organisation's members. A list of these organisations is on the return.

Question 14 All other clubs and societies

A club or society's taxable income is based on its net profit or loss from revenue sources only, including:

- interest, dividends and rents (for residential rents read Question 10)
- taxable Māori authority distributions (see page 16)
- sponsorship and admission fees
- advertising revenue from club journals, magazines or other printed material.

Any membership subscriptions or levies are not income for tax purposes.

Certain transactions the club or society does with its members may be liable for income tax. This includes the purchase of trading stock and the supply of services. Deduct any costs incurred in earning income from taxable sources when you calculate the club or society's taxable income.

Types of income for organisations - Q13 and Q14

Interest and dividends

Show any gross net interest received in Box 13 or 14, and any dividends in Box 13A or 14A. Costs incurred in deriving the interest can be deducted before entering the amount in Box 13 or 14. This includes interest paid by Inland Revenue.

Interest on broken term deposits

If you have broken a term deposit during the year, there may be "negative interest" to account for. This is interest repaid on a term deposit. This may reduce the amount of interest to declare on the tax return.

If the term deposit was broken in full, or it was business-related, deduct the negative interest from the gross interest shown on the RWT withholding certificate (IR15 or equivalent statement).

Deduct the allowable negative interest component using the worksheet below before entering the gross amount at Question 13 or 14 of the return. In all other cases, the negative interest is deductible in a later return when the term deposit matures.

Worksheet

Copy your gross interest from your RWT withholding certificate to Box 1.

1 ▶

\$:

Print any negative interest you have paid in Box 2.

2 ▶

\$:

Subtract Box 2 from Box 1 and print the answer in Box 3. Copy this amount to Question 13 or 14 of your tax return.

3 ▶

\$:

Interest paid or charged by Inland Revenue

Include any interest paid by Inland Revenue as income in the year it is received, if you paid interest to Inland Revenue for late payment of tax, it is allowed as a deduction in the tax year the interest is paid. If your overall interest is also a negative amount, put a minus sign in the last box.

Taxable Māori authority distributions

Māori authorities can make various types of distributions. You're only required to declare taxable Māori authority distributions made from gross income that Māori authorities earned during the 2004-05 income year or subsequent income years.

Fill in Box 13B or 14B if you received any taxable Māori authority distributions between 1 April 2019 and 31 March 2020. The Māori authority that paid you the distribution sends you a Māori authority distribution statement.

Credits attached to distributions

The Māori authority may attach a credit to the distribution it makes to members. This credit will be classified as a "Māori authority credit" and is part of the tax the Māori authority has already paid on its profits so the distributions are not taxed twice.

What to show in your return

Your Māori authority distribution statement shows:

- the amount of the distribution made to you, including what portion is taxable and what portion is non-taxable
- the amount of Māori authority credit.

These amounts, not including any non-taxable distribution, will need to be transferred to the following boxes:

- taxable Māori authority distributions should be shown in either Box 13B or 14B
- Māori authority credits should be shown in "other tax credits" Box 20I.

Example

A Māori authority makes a pre-tax profit of \$10,000. They pay tax of \$1,750 on this profit (Māori authority tax rate of 17.5%) and distribute the entire profit to their 10 members, so each member will receive \$825 as a cash distribution and \$175 of Māori authority credits.

Each member of the authority liable to file an IR9 return would show the following information:

Box 13B or 14B - \$1,000 (made up of \$825 + \$175)
Box 20I - \$175

Non-taxable distributions

Any other distributions received from a Māori authority, which are not taxable in the hands of a Māori authority member don't need to be included in the IR9 return. These amounts are classed as non-taxable distributions and can't have credits attached.

Other income

Print the net profit in Box 13C or 14C. The net income is the gross income less expenses related to earning the income, if it is a negative amount, put a minus sign in the last box.

If your organisation is carrying back a 2020 loss to 2019 enter the amount of the loss in Box 14C.

Overseas income

You can convert all overseas income and tax credits to New Zealand dollars by:

- using the rates table available from ird.govt.nz/tools-calculators
- contacting the overseas section of a trading bank and asking for the exchange rate for the day you received your overseas income.

Australian dividends from non-foreign investment fund investments

If you hold shares in an Australian company which has elected to maintain a New Zealand imputation account, you may see a "New Zealand imputation credit" on your dividend statement. It's possible for dividends to be paid with these credits attached. Show any Australian dividend income at Box 13A or 14A. Claim the New Zealand imputation credits in the dividend imputation credits box at Question 20C and include overseas tax credits at Question 20A.

This **does not** mean Australian imputed or franking credits can now be claimed. Inland Revenue approval may be required for an exemption from income tax.

Foreign-sourced dividends

Under the foreign investment fund (FIF) rules, dividends received from overseas companies may no longer be separately taxable. Generally, clubs or societies would use the default FIF income calculation method, called the fair dividend rate (FDR), which does not tax dividends separately. However, the foreign tax deducted from the dividend can be claimed as a credit against the tax payable on the calculated FIF income. To learn more about FIF rules go to ird.govt.nz/foreign-investment-funds

Foreign rights

If you're calculating controlled foreign company (CFC) or FIF income you may be required to complete an additional disclosure form for that investment.

The types of foreign investment that may not require an additional disclosure are investments in countries New Zealand has a double tax agreement with as at 31 March 2020, which have used the comparative value (CV) or FDR method.

If you need assistance making a CFC disclosure please call 0800 377 774 to get the appropriate disclosure form.

Full details of the disclosure requirements are available in our **Tax Information Bulletins (TIBs)**. The disclosure forms are available from ird.govt.nz

Portfolio investment entities (PIEs) and attributed PIE income/loss

Certain PIEs attribute their net income/loss, and tax credits they derive, across their investors. Clubs or societies that are investors include the attributed income or loss in their tax return.

Each year, the PIE is required to provide an investor statement setting out the details of the income/loss attributed to the investor for the year. The statement also shows the various types of tax credits associated with the income attributed. These tax credits are subject to the tax credit limits calculated in relation to the tax on the attributed PIE income.

The attributed PIE income/loss is included in the club or society's return for the period that includes the end of the PIE's income year. Generally, PIEs will have a 31 March balance date.

Box 14E Income deduction for non-profit bodies

A non-profit body can claim a deduction of up to \$1,000. This deduction is the smaller of:

- the amount at Box 14D, or
- \$1,000.

If the organisation's income is less than \$1,000 before the deduction, it will have no taxable income.

This deduction is not available to organisations covered by Questions 12 and 13.

If your organisation has an exemption from RWT as a non-profit body, it does not necessarily mean it has non-profit status and is exempt for income tax purposes.

Question 16 Donations

The following societies can claim a deduction for donations made to organisations with "donee organisation" status:

- friendly societies
- building societies
- societies that have been registered under the Incorporated Societies Act 1908, or the Industrial and Provident Societies Act 1908.

You can view the list of donee organisations at ird.govt.nz

Note

State-funded tertiary education institutions, state schools and state-integrated schools don't have to be approved to have donee organisation status.

The deduction for donations can't be more than the society's income after expenses (before the donation deduction is taken into account).

Calculate the society's donation deduction.

- If the amount in Box 15 is a loss, print nil in Box 16.
- If the donations made by the society exceed the amount in Box 15, copy the amount in Box 15 to Box 16.
- If the donations made by the society do not exceed the amount in Box 15, print the donations in Box 16.

Question 18 Net losses

Loss carry-back

Where on your return to claim loss carry-back

You must let us know if the organisation is going to use the loss carry-back scheme. You can do this in the 'I want to' section of the organisations income tax account in myIR and selecting "Opt-in to carry-back loss".

Claiming a loss carry-back in 2019 from 2020

If the organisation has a 2020 loss it wants to carry back to 2019, enter the loss amount in Box 14C (Other income) in the 2020 income tax return.

You will then need to amend the organisations 2019 income tax return (if already filed) to include the loss. In myIR choose amendment reason "loss carry-back". Select income type "you are claiming net losses brought forward" and enter the amount of the loss carried-back in Box 16 (losses brought forward).

Claiming a loss carry-back in 2020 from 2021

If the organisation is claiming a loss carry-back in 2020, based on an estimated loss in 2021, enter the amount of the estimated loss carry-back in Box 18 (net losses brought forward).

Question 20 Tax calculation

Incorporated bodies:

- are taxed at 28 cents in the dollar, and
- may be provisional tax payers, and so may have to make provisional tax payments - see page 26.

Unincorporated bodies:

- are assessed at individual tax rates but are not entitled to independent earner tax credits, and
- may be provisional tax payers, so may have to make provisional tax payments - see page 26.

If your organisation is an unincorporated body, calculate the tax on its taxable income using these rates.

Income thresholds	Income tax rates for the 2020 income year
\$0 - \$14,000	10.5%
\$14,001 - \$48,000	17.5%
\$48,001 - \$70,000	30.0%
\$70,001 +	33.0%

Claim any tax deducted from income paid to the organisation in Box 20A, 20C, 20G or 20I as appropriate.

Box 20D Excess imputation credits brought forward

If your organisation is unincorporated and had unused imputation credits in the 2019 return, they were unable to be refunded and must be brought forward and claimed against this year's tax payable. You can find the amount of excess imputation credits to be brought forward to 2020 in the "Loss/excess imputation credits carried forward" letter we sent you after your 2019 income tax return was assessed.

Print the amount in Box 20D of your return. Add up your total imputation credits from Boxes 20C and 20D and print the total in Box 20E.

Box 20E Imputation credits

If the imputation credits at Box 20E are greater than the amount in Box 20B, the difference can't be refunded.

If the organisation is an incorporated body, the excess imputation credits must be converted to a loss and carried forward. To do this, divide the difference between Boxes 20B and 20E by 0.28. We'll send you a letter confirming the amount of net loss carried forward to the 2021 return.

If the organisation is an unincorporated body, the difference between Boxes 20B and 20E must be carried forward to the 2021 return and credited against the tax liability. We'll send you a letter confirming the amount of excess imputation credits carried forward.

Box 20GG Residential land withholding tax (RLWT) credit

If the organisation is an "offshore RLWT person" and has sold or transferred residential property located in New Zealand, RLWT may have been deducted from the sale price. The organisation should have received a statement on the completion of the sale process showing the amount of RLWT deducted. The organisation can claim a credit for any RLWT deducted. Show the amount of RLWT deducted, less any RLWT paid back to the organisation and/or transferred to outstanding amounts during the income year.

If there was more than one amount of RLWT deducted, show the combined amount, less any RLWT paid back to the organisation and/or transferred to outstanding amounts during the income year.

Question 21 Refunds and/or transfers

If you're entitled to a refund you can:

- transfer it to arrears that are being paid off
- transfer all or part of it to your 2021 provisional tax
- have any balance direct credited to your club or society's bank account or other deposit account eg, a building society account shown at Question 6.

If you've made payments towards your 2021 provisional tax and, after completing this return, find you have less or no provisional tax to pay, the overpayment can be included in the amount we refund or transfer. Attach a separate note to your return to request this.

Direct credit

See page 5 for more information on how to have your refund direct credited to your bank account.

Refunds of less than \$1.00

If your refund is less than \$1.00 it will be carried forward to your next tax assessment. We'll offset it against any amount you may owe us or add it to any refund.

Transfers

If you'd like your refund ("the credit") transferred to another account or to arrears you're paying off by an instalment arrangement, you'll need to tell us what date you'd like it transferred. The date you choose depends on what tax has been overpaid and whose account you want the credit transferred to.

If the transfer is to arrears being paid off through an instalment arrangement, you'll need to include a note with your return authorising the transfer. Please state clearly:

- that the transfer is to arrears currently under an instalment arrangement
- the name and IRD number of the taxpayer the transfer should be made to
- whether the taxpayer is an "associated taxpayer"
- the tax type and period
- the date you'd like the transfer to take place.

Associated taxpayers

When transferring overpaid tax, associated taxpayers are:

- a company you're a shareholder-employee in
- a partner in the same partnership
- a trustee of a family trust you're a beneficiary of.

You can ask for your credit to be transferred at any date as long as it's not before the relevant date shown below.

Future transfer dates

If you'd like your credit transferred at a date in the future, attach a note to the front of your return with details of:

- the amount you want transferred
- the account you want it transferred to, and if it's the account of an associated taxpayer
- the date you'd like it transferred.

If you don't tell us the date you'd like your credit transferred, we'll transfer it at a date we think gives you the greatest advantage. Contact us if you'd like to change the transfer date and tell us if this transfer is to cover a debt.

Requesting transfers on the return form

Fill out the boxes on page 4 of your return if you'd like to transfer a credit to another account.

Transfer date

For credit transferred to your account or an associated person's account:

- If the credit is from excess tax deducted (eg, PAYE deducted) it's the day after your balance date (or 1 April if your balance date is before 31 March).
- If the credit is from overpaid provisional tax it's the day you overpaid it.

For credit transferred to a non-associated person's account, it's the later of the day you requested the transfer, or the day after you file your return.

Contact us if you'd like to change the transfer date. Include the account details you want the credit to be transferred to. If it's going to another person, tell us the transfer date.

Question 22 Initial provisional tax liability

An organisation has an initial provisional tax liability for a tax year if it:

- starts to derive income from a taxable activity in the tax year, and
- had not derived income from a taxable activity within the preceding four years, and
- had a residual income tax of \$60,000 or more in the current year.

Generally, organisations aren't liable to pay provisional tax in their first year of operation. If you meet the criteria to have an initial provisional tax liability you may have to pay interest. The interest cost may be reduced by making voluntary provisional tax payments. Print the date the organisation started to derive income from taxable activity in Box 22.

Interest rules for an initial provisional tax liability

Special rules apply when interest may be charged if your club or society has an initial provisional tax liability. It may be charged interest from the first, second or third instalment date, which is determined by the business start date. For most organisations with a balance date of 31 March, the start date for interest will be:

- 29 August, if the taxable activity started before 30 July of the same year
- 16 January, if the taxable activity started between 30 July and 16 December of the previous year
- 8 May, if the taxable activity started on or after 17 December of the previous year.

For organisations with a balance date of 31 March, and registered for six-monthly GST filing, the start date for interest will be:

- 29 October, if the taxable activity started before 30 September of the same year
- 8 May, if the taxable activity started on or after 30 September of the previous year.

If the organisation has a balance date other than 31 March, the provisional tax payment dates will generally be the 28th day of the 5th, 9th and 13th months following the balance date.

There are special rules about how interest is calculated when a club or society has an initial provisional tax liability and has changed its balance date.

For further information refer to our **Provisional tax - IR289** guide.

Question 23 2021 provisional tax

2021 provisional tax is charged for income the organisation will earn in the 2021 income year. It's payable in instalments. If the organisation's 2020 residual income tax (RIT) is:

- \$5,000 or less, it doesn't have to pay provisional tax, but it can make voluntary payments
- more than \$5,000 but expected to be \$5,000 or less for 2021, it may estimate 2021 provisional tax at nil
- more than \$5,000 and expected to be more than \$5,000 for 2021, it must pay 2021 provisional tax using one of the payment options.

If you anticipate your RIT will exceed \$5,000 for the 2021 year, read the notes on interest - see page 28. You may be liable for interest from your first provisional tax instalment date.

All clubs or societies may choose one of the following three options to work out their provisional tax:

Standard option

If you use this option, write **S** in Box 23 of the return and the amount of 2021 provisional tax in Box 23A.

- For unincorporated organisations, 2021 provisional tax is the 2020 RIT plus 5%. If 2020 return has not been filed it will be 2019 RIT plus 10%.
- For incorporated organisations, 2021 provisional tax is the 2020 RIT plus 5%. If 2020 return has not been filed it will be 2019 RIT plus 10%.

Estimation option

An organisation can estimate its 2021 provisional tax as many times as it wants to up to and including its final instalment date. If the 2021 RIT is expected to be lower than its 2020 RIT, estimating may stop it from paying more provisional tax than it has to.

If the organisation estimates its provisional tax, write **E** in Box 23 on the return and the amount of 2021 provisional tax in Box 23A.

Note

An estimate must be "fair and reasonable" at each instalment it applies to if you use the estimation option. Read the notes on the not taking reasonable care penalty and interest on pages 27 and 28.

Remember, when making your estimate, that incorporated and unincorporated bodies have different tax rates.

Incorporated bodies use the tax rate of 28% . For unincorporated bodies, see the tax rates on page 21.

Ratio option

Note

If you're using the ratio option and select **E** at Box 23, you're electing to stop using this option.

If the club or society is GST registered, you may qualify to use the ratio option to calculate your provisional tax.

Only enter R at Box 23 if you've already elected to use the ratio option. You must apply in writing to use the ratio option before the beginning of the income year you want to use it in.

If you've already elected to use the ratio option and want to continue using it, enter R at Box 23.

You'll find more information about the ratio option in our guide **Provisional tax - IR289**.

Not taking reasonable care penalty

When you estimate the organisation's 2021 provisional tax, your estimate must be fair and reasonable. If the 2021 RIT is greater than the provisional tax paid, the organisation may be liable for not taking reasonable care and a penalty of 20% of the underpaid provisional tax will apply.

Interest

If the organisation has paid too much provisional tax, we pay interest, or if it hasn't paid enough provisional tax, we charge interest.

Interest the organisation pays is tax deductible, while interest we pay is taxable income.

For more information about interest and penalties, read our guide **Penalties and interest - IR240**.

Election to be a provisional tax payer

A club or society is a provisional tax payer for the 2020 year if its RIT for that year is more than \$2,500. If the 2020 RIT is \$2,500 or less, but the club or society paid provisional tax for the year, it may elect to be a provisional tax payer for 2020. This may affect the interest the organisation may be entitled to for 2020.

To elect to be a provisional tax payer for the 2020 year, attach a note to the front of the 2020 return.

Change in balance date

There are special rules about when provisional tax is due and how interest is calculated if there has been a change in balance date. You'll find more information about these rules in our guide **Provisional tax - IR289**.

Tax pooling

Tax pooling allows provisional tax payers to pool provisional tax payments, offsetting underpayments by overpayments within the same pool, reducing possible exposure to late payment penalties and use-of-money interest. The pooling arrangement is made through a commercial intermediary, who arranges for participating taxpayers to be charged or compensated for the offset.

For more information about tax pooling, including a list of intermediaries, go to **ird.govt.nz**

Payment dates

2021 provisional tax

Generally, a club or society with a 31 March balance date pays provisional tax by the following due dates:

- First instalment 28 August 2020
- Second instalment 15 January 2021
- Third instalment 7 May 2021

A club or society with a balance date other than 31 March pays provisional tax on the 28th day of the 5th, 9th and 13th months after the balance date. There are two exceptions:

- An instalment due on 28 December will be due on 15 January
- An instalment due on 28 April will be due on 7 May.

These dates will alter if:

- the club or society is registered for GST and the GST is filed six-monthly, or
- provisional tax is paid through the ratio option.

If one of these situations applies to you, please read our guide **Provisional tax - IR289**.

2020 end-of-year income tax

Clubs or societies with an agent and an extension of time may have until 7 April 2021 to pay their tax. If you think this applies, contact your agent for more information.

Otherwise, a club or society with a balance date between 1 March and 30 September must pay its end-of-year income tax and any interest by 7 February 2021.

A club or society with a balance date between 1 October and 28 February must pay its end-of-year income tax by the seventh day of the month before the following year's balance date.

How to make payments

You can make payments by:

- direct debit in myIR
- credit or debit card at ird.govt.nz/pay
- internet banking - most New Zealand banks have a **pay tax** option.

When making a payment, include:

- your IRD number
- the account type you are paying
- the period the payment relates to.

Find all the details of our payment options at ird.govt.nz/pay

Late payment

If you do not pay a bill on time, you may have to pay penalties and interest.

Contact us if you are not able to pay on time. We'll look at your payment options, which may include an instalment arrangement.

Find out more at ird.govt.nz/penalties

Arrangements

If you're unable to pay your tax by the due date, please call us. We'll look at your payment options, which may include an instalment arrangement, depending on your circumstances. Arrangements can be agreed on, before or after the due date for payment. There are greater reductions in the penalties charged if the arrangement is made before the due date. You can send us an instalment arrangement proposal online. Go to ird.govt.nz/instalments

Self-assessment by taxpayers

Taxpayers have to assess their own liability as part of their return filing obligations. We may amend your assessment if a correction is required.

If you dispute our assessment please go to **ird.govt.nz/disputes** for more information. The four-month period for you to issue a notice of proposed adjustment (NOPA) to your self-assessment will start on the date Inland Revenue receives your return.

Services you may need

0800 self-service numbers

Our 0800 self-service numbers are open 7 days a week - except between 5am and 6am each day. Make sure you have your IRD number ready when you call.

For access to your account-specific information, you'll need to be enrolled with voice ID or have a PIN.

Order forms, guides and returns	0800 257 773
All other services	0800 257 777

When you call, confirm what you want from the options given. If you need to talk with us, we'll re-direct your call to someone who can help you.

Need to speak with us?

Have your IRD number ready and call us on one of these numbers.

General tax, tax credits and refunds	0800 775 247
Employer enquiries	0800 377 772
General business tax	0800 377 774
Overdue returns and payments	0800 377 771

We're open 8am to 8pm Monday to Friday, and 9am to 1pm Saturday. We record all calls.

Our self-service lines are open 7 days a week - except between 5am and 6am each day. They offer a range of automated options, especially if you're enrolled with voice ID.

Find out more at ird.govt.nz/contact-us

Privacy

Meeting your tax obligations means giving us accurate information so we can assess your tax and entitlements under the Acts we administer. We may charge penalties if you do not.

We may also exchange information about you with:

- some government agencies
- another country, if we have an information supply agreement with them, and
- Statistics New Zealand (for statistical purposes only).

You can ask for the personal information we hold about you. We'll give the information to you and correct any errors, unless we have a lawful reason not to. Find our full privacy policy at ird.govt.nz/privacy

If you have a complaint about our service

We're committed to providing you with a quality service. If there's a problem, we'd like to know about it and have the chance to fix it.

If you disagree with how we've assessed your tax, you may need to follow a formal disputes process.

Find out more about making a complaint, and the disputes process, at ird.govt.nz/disputes